

Message Text

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PAGE 01 SAN SA 01313 062346 Z

11

ACTION ARA-17

INFO OCT-01 ADP-00 SCEM-02 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-02 PA-03 PRS-01 USIA-12 INT-08 FPC-01

RSR-01 /159 W

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R 062301 Z APR 73

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC 2547

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY TEGUCIGALPA

AMEMBASSY SAN JOSE

UNCLAS SAN SALVADOR 1313

E. O. 11652 - N/A

TAGS: EAID, ENRG, ES

SUBJECT: LEGISLATURE APPROVES IDB, IBRD LOANS AND BENDS PROVIDING
\$75.4 MILLION FOR ELECTRIC POWER PROJECTS

REF: SAN SALVADOR A-32

1. SUMMARY: THE LEGISLATIVE ASSEMBLY APPROVED ON APRIL 5
EXTERNAL AND INTERNAL FINANCING FOR THE NATIONAL POWER
AUTHORITY' S (CEL) CERRON GRANDE HYDROELECTRIC AND AHUACHAPAN
GEOTHERMAL PROJECTS. AUTHORIZATIONS AGGREGATING \$75.4 MILLION
INCLUDED IDB' S \$38.1 MILLION FOR CERRON GRANDE, IBRD' S \$27.3
MILLION (\$15.9 FOR CERRON GRANDE, THE BULANCE FOR GEOTHERMAL
PROJECTS) AND A 25 MILLION COLONES (\$10 MILLION0 BOND ISSUE
FOR CEL. THE ASSEMBLY NOTED THIS IS THE LARGEST INVESTMENT
EFFORT IN EL SALVADOR' S HISTORY; THERE WAS LITTLE DEBATE SINCE
THE CONTROVERSY OVER CERRON GRANDE WAS SETTLED BY PRESIDENT
MOLINA' S DECISION LAST AUGUST. END SUMMARY.

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PAGE 02 SAN SA 01313 062346 Z

2. ON APRIL 5 THE LEGISLATIVE ASSEMBLY APPROVED A PACKAGE OF FINANCIAL COMMITMENTS TO ENABLE CONSTRUCTION OF THE CERRON GRANDE (270,000 KWH CAPACITY) HYDROELECTRIC PROJECT AND THE AHUACHAPAN GEOTHERMAL PROJECT. THE AUTHORIZED \$75.4 MILLION PROJECTS INCLUDED LOANARDEM THE IDB, IBRD, AND A 25 MILLION COLONES (\$10 MILLION) BOND EMISSION BY THE GOES' POWER AUTHORITY. IDB'S \$38.1 MILLION, AND THE IBRD'S \$15.9 MILLION (OUT OF A TOTAL LOAN OF \$27.3 MILLION, PROVIDE 67.5 PERCENT OF CERRON GRANDE'S PROJECTED \$80 MILLION COST. CEL IS TO UND \$26 MILLION AND NOW HAS THE AUTHORITY TO EMIT UP TO \$10 MILLION IN BONDS. UNTIL THE RECENT ELECTRICITY CRISIS, WHICH LED IT TO PURCHASE DIESEL GENERATORS, IT HAD MOST OF THE BAPANCE ON HAND; CEL WILL PROBABLY SEEK ADDITIONAL BOND AUTHORITY TO RESTORE ITS FINANCING ABILITY.

3. THE IDB LOAN WAS SIGNED WITH CONSIDERABLE PUBLICITY WHEREAS THAT FROM THE IBRD HAS RECEIVED LITTLE PUBLIC ATTENTION. THE IDB LOAN IS TO THE MINISTRY OF FINANCE AT ONE-FOURTH OF A PERCENT FOR 10 YEARS AND ONE AND ONE-HALF PERCENT FOR THE SUBSEQUENT 30 YEARS, WITH A THREE-QUARTERS PERCENT SERVICE FEE ON THE OUTSTANDING BALANCE. THE MINISTRY WILL LEND THIS TO CEL AT FIVE AND ONE-HALF PERCENT WITH A 25 YEAR AMORTIZATION. FUNDS TO BE GENERATED BY THE GOES ARE CALCULATED BY IDB TO BE \$35 MILLION. CONDITIONS FOR THEIR USE (E.G. THE CENTRAL BANK'S DEVELOPMENT LOAN FUND, COUNTER-VART FINANCING, ETC.) WILL BE ESTABLISHED WITHIN THE NEXT 12 MONTHS, ACCORDING TO IDB.

4. CEL RECENTLY ANNOUNCED THAT WORK ON THE CERRON GRANDE DAM WOULD BEGIN IN SEPTEMBER. THE TARGET FOR COMPLETION OF THE ENTIRE PROJECT IS 1976. THE LARGEST PORTION OF THE WORK, PRINCIPALLY THE EARTH/ROCK DAM, WILL BE AWARDED AFTER BID OPENINGS JUNE 19 (SEE REPAIR). ING. VALIENTE, EXEC. DIR. OF CEL, TOLD US THAT THUS FAR NINE US COMPANIES, THREE BRAZILIAN, AND ONE MEXICAN, AND POSSIBLY ONE ARGENTINE FIRM HAD SUBMITTED BIDS.
CATTO

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